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The Ghosts of the Past Remain Strong in South Korea's Relations With Japan

The latest chapter in their long-running dispute began in 2019, and shows no signs of ending a year later.

By **Troy Stangarone**

August marked the 75th anniversary of the end of Japan's colonial rule over the Korean Peninsula, but despite the passage of three quarters of a century the past remains a contentious issue in South Korea's relations with Japan.

The relationship has long struggled to develop a common narrative of the past. South Korea continues to raise concerns about history in Japanese textbooks, while territorial disputes remain over the islets of Dokdo. The relatively recent attempt by former South Korean President Park Geun-hye and Japanese Prime Minister Shinzo Abe to resolve one of the more challenging issues in the relationship, Japan's treatment of the "comfort women," was never fully accepted by a majority of the populace, including the victims themselves, and the foundation established to compensate them was dissolved in 2019.

A different ghost from the past, however, is driving relations to new lows.

In 2018, the South Korean Supreme Court in two separate rulings ordered Mitsubishi Heavy Industries to pay 10 victims of forced labor during World War II between 80 million won and 150 million won and Nippon Steel & Sumitomo Metal Corp to pay four victims 100 million won each. Japan vociferously objected to the ruling.

Tensions between the two governments significantly increased when Japan took steps to place national security restrictions on three chemicals critical to South Korean production of semiconductors and displays – hydrogen fluoride, photoresists, and fluorinated polyimide – as well as to remove South Korea from its white list of trusted trading partners.

South Korea responded by taking Japan to the World Trade Organization (WTO) over the dispute, while also removing Japan from its white list and threatening to end the two countries' military intelligence sharing agreement. The South Korean populace also began boycotting Japanese products and travel to Japan.

Tensions subsided briefly at the end of 2019, however. Seoul decided to maintain its military intelligence sharing agreement with Japan and held off on forming a Dispute Settlement Panel at the WTO, while Tokyo followed by granting a three year license for the export of photoresists in the lead-up to a meeting between South Korean President Moon Jae-in and Abe.

A resolution of the dispute has been challenging. Japan has taken the position that the Supreme Court decision violates the 1965 Treaty on Basic Relations between Japan and the Republic of Korea, while the South Korean government has insisted that it cannot override the decision of the Supreme Court.

What Has the Economic Damage Been?

While certain sectors have seen a clear impact from the South Korean public's boycott, it is less clear that the boycott has had a significant impact on Japanese imports overall. South Korea, in contrast, has seen relatively little economic impact.

Through July of this year, imports from Japan were down 9.63 percent compared to the same period in 2019, only slightly more than the 9.47 percent decline in South Korea's imports overall. Additionally, imports from Japan comprised 9.65 percent of South Korea's total imports from January through July 2020, essentially unchanged from the same period last year when they comprised 9.64 percent of South Korea's total imports. With the trade conflict not beginning until July 2019, this year-on-year comparison suggests that COVID-19 is having a more significant impact than the boycott on imports from Japan.

A similar pattern can be seen in South Korean exports to Japan ,which are down 10.22 percent in the first half, but in line with the 11.6 percent decline in total imports for Japan.

However, the boycott has had a significant impact on certain brands and products. Uniqlo has announced the closure of 22 of its South Korean stores since the boycott began. Nissan is planning to leave the Korean market at the end of the year as part of a global corporate restructuring; the brand has seen declining sales from the boycott and also COVID-19.

After seeming to weather the boycott to an extent, purchases of Japanese automobiles are seeing more significant losses beyond Nissan. While mass market producers such as Ford and Chrysler of the United States saw sales decline 25.7 percent and 15.6 percent, respectively, through July, sales of Hondas are down 74.3 percent and Toyota has seen a decline of 53.7 percent. Overall, imports of vehicles and parts from Japan are down 41.36 percent so far this

year, in contrast to a 15.77 percent increase from the United States, thanks in large part to the growing popularity of Tesla.

Imports of Japanese beer, which had consistently been the most popular imported beer in South Korea, largely stopped in August 2019 and remain down 91.3 percent. Imports of other fermented beverages are down 55.82 percent, while imports of manufactured tobacco products have also become largely nonexistent and are down 95.32 percent.

Imports of cosmetics from Japan are also down relative to imports from the rest of the world, but have only seen a 24 percent decline.

Tourism also declined as part of the boycott. The number of South Korean tourists traveling to Japan dropped by nearly 2 million in 2019. Prior to Japan placing restrictions on travelers from South Korea due to COVID-19, South Korean tourists were down 59.4 percent in January and 79.9 percent in February.

In contrast, Japanese tourists to South Korea declined by only 1.2 percent.

At the same time, the damage from the national security restrictions Japan placed on key chemicals for South Korea's semiconductor and display industry has been minor, despite imports of hydrogen fluoride being down 84 percent. These have largely been replaced by domestic production. Otherwise, imports of fluorinated polyimide are down only 12.93 percent. Imports of photoresists, which Japan provided a three year export license for, are up 13.76 percent.

Tensions Are Rising Again

Tensions, however, began to rise again in August with the deadline for the Pohang branch of the Daegu District Court to liquidate assets seized from Nippon Steel. The process has temporarily been abated by Nippon Steel's decision to appeal the asset seizure.

However, if the court follows through with the liquidation of Nippon Steel's assets, Japanese Chief Cabinet Secretary Yoshihide Suga has said that "all options" are on the table. Japan is reportedly considering additional tariffs on South Korean goods, tightening visa requirements for South Koreans traveling to Japan, and

withdrawing its ambassador to Seoul. In turn, Seoul has again raised the prospect of ending its military intelligence sharing agreement with Japan.

The dispute over Japan's use of forced labor has also been heightened by the failure to include a mention of forced labor at Japan's Hashima island industrial site, now a UNESCO World Heritage Site. South Korea agreed to support its designation as a World Heritage Site on the condition that it would acknowledge the use of forced labor. Now Seoul is seeking to have Japan correct the exhibit or have the World Heritage designation withdrawn.

The current tensions also have the potential to spill into other areas of cooperation. Despite North Korea being a focus of cyber defense drills being organized by Japan with 20 countries, it is unclear from public reporting if South Korea has been asked to take part. There are also concerns that Japan could oppose South Korean Trade Minister Yoo Myung-hee's bid to become the new director general of the WTO.

The United States has traditionally worked to reduce tensions between South Korea and Japan in the past, but in the current dispute the Trump administration was slow to react and has been unable to demonstrate the influence needed to help the two countries reach an accommodation. If Nippon Steel's assets are liquidated and Japan retaliates, it is unclear that the United States will be able to help its two allies avoid an escalation in their dispute.

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